

Message Text

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UNCLAS ROME 6748

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TAGS: ETRD, EIND, IT

SUBJ: DISSOLUTION OF EGAM, THE ITALIAN GOVERNMENT PARTICIPATION
ENTITY

REF : STATE A-1249, MARCH 14, 1977

1. UNDER DECREE LAW NO. 103 EFFECTIVE APRIL 8, 1977, EGAM, ENTE AUTONOMO PER LA GESTIONE DELLE AZIENDE MINERARIE (I.E., AUTONOMOUS AGENCY FOR THE OPERATION OF MINING ENTERPRISES) HAS BEEN DISSOLVED. THE SHARES OF THE COMPANIES CONTROLLED BY EGAM HAVE BEEN ENTRUSTED FOR ONE YEAR, ON A FIDUCIARY BASIS, TO IRI AND ENI. WITHIN SIX MONTHS (I.E. BY OCTOBER 7, 1977) THESE TWO AGENCIES ARE REQUIRED TO DRAW UP PLANS FOR THE LIQUIDATION, RECONVERSION, SALE, CONTINUED OPERATION OR REDISTRIBUTION BETWEEN IRI AND ENI OF THE COMPANIES IN QUESTION.

2. THE PROGRAM THUS DEVELOPED BY IRI AND ENI WILL BE CARRIED OUT INITIALLY BY A COMMITTEE OF THREE MEMBERS REPRESENTING, RESPECTIVELY, THE MINISTERO DELLE PARTECIPAZIONI STATALI (I.E., MINISTRY OF STATEHOLDINGS), IRI AND ENI. THIS COMMITTEE WILL BE TERMINATED ON APRIL 7, 1978 AT WHICH TIME THE SHARES OF THE COMPANIES WHICH WILL NOT HAVE BEEN LIQUIDATED OR SOLD WILL BE ASSIGNED TO IRI AND ENI. A TOTAL OF LIRE 900 BILLION (OR DLR 1.01 BILLION) HAS BEEN BUDGETED FOR COMPLETION OF THE PROGRAM. OF THESE, LIRE 150 BILLION (OR ABOUT \$170 MILLION) WILL BE MADE AVAILABLE IMMEDIATELY. THE BALANCE WILL BE ALLOCATED

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OVER A PERIOD OF FIVE YEARS.

3. OF THE 52 COMPANIES FORMERLY CONTROLLED BY EGAM, 19 OPERATING PRIMARILY IN THE IRON AND STEEL SECTOR HAVE BEEN PROVISIONALLY ENTRUSTED TO IRI, AND THE REMAINING 23, ENGAGING PRICIPALLY IN MINING AND METALWORKING ACTIVITIES, HAVE BEEN PROVISIONALLY ENTRUSTED TO ENI.

4. IN 1974 (THE LATEST YEAR FOR WHICH STATISTICS ARE AVAILABLE) THE EGAM COMPANIES EMPLOYED A TOTAL OF 34,000 AND THEIR SALES AGGREGATED DLR 1.03 BILLION. IN THE CONTEXT OF THE STATE-CONTROLLED COMPANIES, EGAM ENTERPRISES REPRESENTED ONLY 6.4 PERCENT OF TOTAL SALES, BUT NEARLY 20 PERCENT OF THE TOTAL WORK FORCE.

5. COMMENT: IN THE LAST TWO YEARS, THE EGAM ENTERPRISES HAVE BEEN REGISTERING HEAVY LOSSES AND, LATELY, A SITUATION DEVELOPED WHEREIN THERE WERE NOT ENOUGH FINANCIAL RESOURCES TO PAY THE WAGES AND SALARIES OF EMPLOYEES. HENCE, THE NEED AROSE TO ELIMINATE AN AGENCY WHICH, OVER THE YEARS, HAD BECOME A CENTER OF WASTE AND INEFFICIENCY, BUT, MORE IMPORTANTLY, A CRISIS DEVELOPED FROM THE LACK OF FUNDS TO MEET WAGES AND SALARIES, AS WELL AS CLAIMS OF CREDITORS OF THE EGAM COMPANIES.

6. THE DISSOLUTION OF EGAM DOES NOT ALTER SIGNIFICANTLY THE STATUS OF THE ENTERPRISES IT CONTROLLED, AS IT IS GENERALLY FELT IN LOCAL BUSINESS CIRCLES THAT THE GREAT MAJORITY OF THESE ENTERPRISES WILL CONTINUE TO REMAIN IN GOVERNMENT HANDS EVEN AFTER THE PROCESS OF REORGANIZATION HAS BEEN COMPLETED. MEANWHILE, IRI AND ENI ARE FACED WITH THE DIFFICULT TASK OF REORGANIZING THE 52 COMPANIES WITH THEIR DISPROPORTIONATE MANPOWER OF 34,000, THE OUTCOME OF WHICH IS NOT PROMISING.

7. DUE TO ITS URGENCY, THE DECREE-LAW NO. 103 BECAME EFFECTIVE THE DAY AFTER ITS PUBLICATION IN THE OFFICIAL GAZETTE. HOWEVER, IT IS SUBJECT TO RATIFICATION BY PARLIAMENT WITHIN 60 DAYS FROM

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THE DATE OF PUBLICATION. GARDNER

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Decaption Note:
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Disposition Approved on Date:
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